



**Financial Highlights**  
**Guam Waterworks Authority Financial Audit**  
**Fiscal Year 2025**

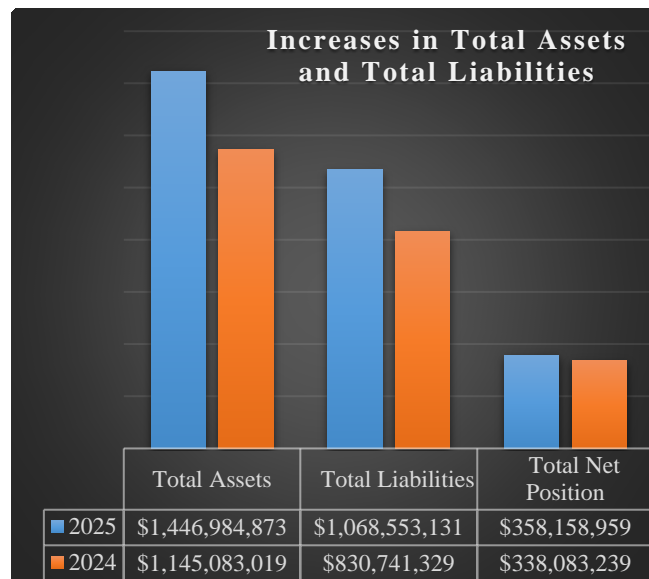
**June 7, 2026**

The Guam Waterworks Authority (GWA) received an unmodified (clean) opinion on its fiscal year (FY) 2025 financial statements from independent auditors Ernst & Young LLP (EY). EY rendered an unmodified opinion on two (2) federal programs and a qualified opinion on one federal program, Assistance Listing Number (ALN) 15.875 Economic, Social, and Political Development of the Territories, due to material weaknesses resulting in total questioned costs of \$637 (Thousand) K.

GWA closed FY 2025 with an increase in net position by \$20.1 million (M), from \$338.1M in FY 2024 to \$358.2M in FY 2025, resulting from net income generated during the year. As of the end of FY 2025, total assets increased by \$301.9M, while total liabilities likewise increased by \$237.8M.

**Increases in Both Total Assets and Total Liabilities**

Total assets increased by \$301.9M, from \$1.14 billion (B) in FY 2024 to \$1.45B in FY 2025. This was primarily due to increases in: a) restricted and unrestricted cash and cash equivalents (\$252.4M), b) capital assets (\$40.8M), and c) receivables, net of allowance for doubtful accounts (\$6.7M). Increase in restricted cash and cash equivalents of \$235.4M was mainly due to new debt issued in 2025. For capital assets it was mainly due to ongoing construction work-in-progress (CIP) amounting to \$120.2M, which increased by \$44.8M. The increase was attributed mainly to the island-wide water reservoirs, which increased by \$37.9M.



Total liabilities increased by \$237.8M, from \$830.7M in FY 2024 to \$1.1B in FY 2025. The rise was driven by revenue bonds payable, less current maturities, which grew by \$259.4M after issuing new bonds. Those issuances generated \$272.9M in proceeds used to fund construction projects. In addition, payable to contractors also increased by \$5.6M due to increased construction activities. These increases were offset by the decreases in net pension liability by \$8.9M and collective total other post-employment benefits liability (OPEB) by \$23M.

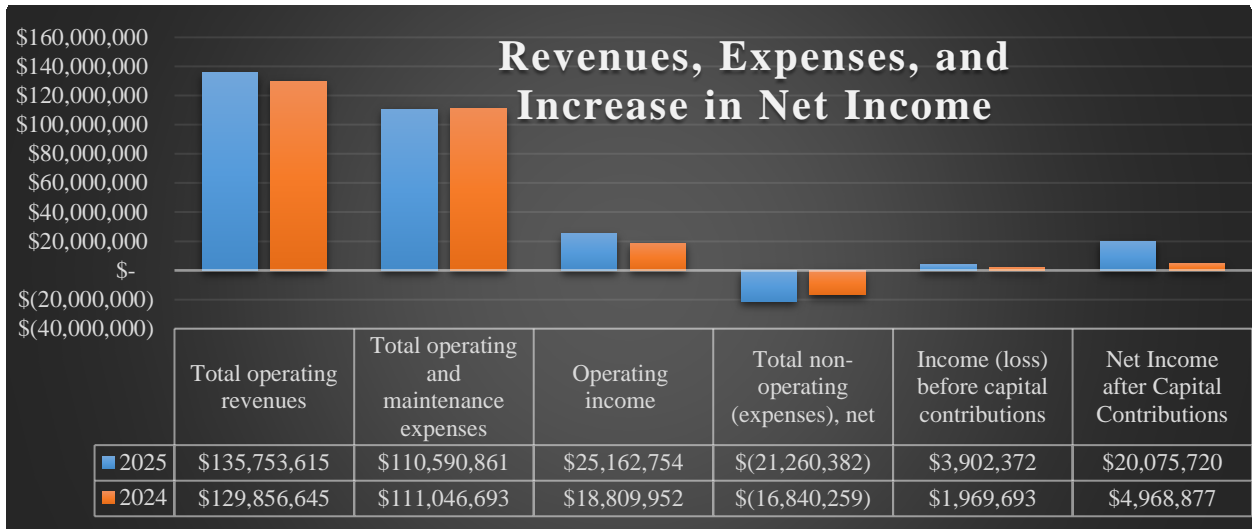
**Receivables and Related Party Transactions**

As of FY 2025, receivables (net) of \$25.8M, (inclusive of unbilled receivables of \$5.1M) increased by \$6.7M from \$19.1M in FY 2024, which was mainly attributed to the increase in federal grants receivable by \$6.3M. Decreases in receivables came from the Guam Power Authority by \$1.9M and from the government sector by \$855K. The highest receivable came from private customers,

amounting to \$22.8M. In addition, during FY 2025, GWA wrote off \$1.3M of its uncollectible receivables.

**Revenues, Expenses, and Increase in Net Income**

For FY 2025, total operating revenues of \$135.8M, had significantly increased by \$5.9M compared to \$129.9M in the prior year. Water and wastewater revenues increased by \$9.6M and \$7.5M, respectively. The growth can be primarily attributed to the 11.5% rate increase approved by the Public Utilities Commission (PUC), effective October 2024. The commercial, federal, hotel, and residential sectors had the largest revenue increases for both water and wastewater. Federal and hotel sectors had increased water demand and wastewater flows.



For operating and maintenance expenses, power purchases decreased by \$2.0M due to a decline in the Levelized Energy Adjustment Clause rates tied to fuel costs. Similarly, water purchases from the Navy decreased by \$1.2M over FY 2024. GWA relies on the Navy’s water supply to augment its water production.

Total operating and maintenance expenses decreased by \$455.8K compared with the prior year, which was mainly attributed to the decrease in retiree health care cost and benefits of \$1.8M and utility costs of \$3.2M. The decreases were offset by the increases in salaries, wages, and benefits (\$1.8M) and administrative and general expenses (\$2.5M).

Total non-operating expenses (net) amounting to \$21.3M increased by \$4.4M, from \$16.8M in FY 2024, primarily due to increases in interest expense by \$4.0M and others, net by \$2.1M. These were offset by the \$2.2M decrease in bond issuance costs.

Overall, GWA generated net income of \$3.9M before capital contributions and \$20.1M after a \$16.2M grant from the U.S. Government. This net income increased by \$15.1M from the prior year’s net income of \$5.0M.

**Bonds and Pledged Revenues**

As of September 30, 2025, GWA had outstanding revenue bonds payable (less current portion) of \$880.3M, which increased by \$259.4M from \$620.9M in FY 2024. The total principal and interest remaining on these bonds is \$1.6B, payable through July 2055. For the year ended September 30, 2025

debt service paid on the bonds was \$36.3M, and the total pledged GWA system revenues were \$140.7M

### **Contract Commitments**

Contract commitments for projects currently under construction total approximately \$86.2M as of September 30, 2025; \$36.8M of that amount will be funded by federal grants from the U.S. government.

### **Litigation**

#### ***Certificate of Title Litigation***

GWA is continuously seeking a resolution in a quiet title for the Northern Wastewater Treatment Plant. In May 2024, GWA sought an interlocutory appeal with the Guam Supreme Court in its April 2024 decision and order for the reversion of land in favor of the opposing party (private property owner). In January 2025, GWA's request for an appeal was granted, and the litigation before the Superior Court is stayed until the Supreme Court appeal is resolved. Considering the status of the litigation and without any firm liability or entry of Judgment having been entered by the courts and realized, no related provision has been recorded in the accompanying financial statements for the potential impact, if any, of this matter.

#### ***Civil Suit-Gershman, Brickner and Bratton (GBB)***

In November 2024, GWA was served a civil suit resulting from a \$4.4M demand in damages from GBB, the federal dump's Receiver. The suit alleges that GWA is responsible for the increased leachate flows and volumes to the Ordot Dump, which has resulted in extraordinary costs to the Receiver and Guam Solid Waste Authority for treatment and investigation.

In January 2025, GWA filed a Motion to Dismiss the matter citing GBB's failure to properly file a government claim and for GBB's failure to have the authority to seek a claim on behalf of GSWA without GSWA's consent as GSWA and GWA had publicly agreed to resolve these claims with a \$1M account credit prior to GBB's suit. A Decision and Order denying GWA's Motion to Dismiss was entered and a reconsideration motion was filed shortly thereafter; however as of October 2025, the case has remain stayed by the Superior court pending the outcome of a global mediation involving the GWA Lawsuit and three related federal cases.

Issues concerning the landfill's high leachate volumes and alleged design flaws that purportedly allowed the intrusion of stormwater and waterline leaks into the dumps leachate collection system remain the subject of global mediation efforts and the ongoing litigation.

### **Court-Ordered Compliance Requirements**

During FY 2025, GWA filed a request for an extension of certain court-ordered deadlines. The court granted an extension in January 2026, extending the deadline to December 31, 2026. The compliance obligations remain in effect and will continue to influence capital planning, project sequencing, and future cash flow requirements.

#### ***Partial Consent Decree***

In August 2024, the U.S. District Court for the District of Guam entered a Partial Consent Decree (Partial CD) between the United States and the Authority, which became effective August 9, 2024. The Partial CD is separate from and in addition to the 2011 Court Order and is focused on GWA's wastewater collection and conveyance system under the federal Clean Water Act, with the primary objective of reducing and preventing sewer system overflows.

The Partial CD requires the Authority to complete a series of assessments, planning measures, operational program enhancements, and capital improvements over a 10-year compliance period ending in 2034. Additionally, the Partial CD requires completion of a feasibility study for upgrading or replacing the Hagåtña Wastewater Treatment Plant to secondary treatment within seven years of the effective date.

Compliance with the Partial CD represents a significant driver of the Authority's capital investment requirements. Partial CD-related projects constitute approximately 30% of the Authority's FY2025–FY2029 Five-Year Capital Improvement Program, which totals \$899 million. Failure to meet established milestones could result in stipulated penalties under the Partial CD. As of the date of issuance of these financial statements, the Authority is on track to meet all deadlines due under the Partial CD.

### ***Regulatory Guidance and Dieldrin Response***

In July 2025, the Guam Environmental Protection Agency (EPA) issued guidance establishing acceptable concentrations of dieldrin in drinking water, effective August 1, 2025. In response, GWA removed two wells from service and kept a third well in operation while issuing precautionary public notices to customers receiving water from that well. To address the detected dieldrin levels, GWA installed temporary granular activated carbon (GAC) filtration systems at the affected sources, and it expects to install permanent GAC treatment systems during the first half of 2026. Management notes that these actions have already led to additional operating and capital expenditures and may continue to impact future costs and the timing of capital projects.

### ***Guam EPA Water Regulations***

In 2025, the Guam EPA promulgated local drinking water regulations for a pesticide compound known as Dieldrin currently unregulated at the federal level. GWA complied with the regulation and issued required Do Not Drink without Treatment Notices to approximately 1,200 ratepayers receiving water from GWA's affected well(s) until treatment systems were put in place reducing and eliminating traces of the pesticide compound. These actions were in line and compliant with the local Guam EPA water regulations. As of January 2026, through May 2026, 360 government claims totaling \$167.5M have been filed against GWA, resulting from the local drinking water regulations, with claimants threatening to file a class-action lawsuit. As of May 2026, no litigation has been initiated and all claims remain under review. Management believes the likelihood of a material loss resulting from these claims is remote.

### **Internal Control and Compliance**

EY rendered an unmodified opinion on two federal programs: a) ALN 66.600-Environmental Protection Consolidated Grants for the Insular Areas-Program Support, and b) ALN 97-036-Disaster Grants-Public Assistance (Presidentially Declared Disasters) and a qualified opinion on ALN 15.875 Economic, Social, and Political Development of the Territories. The qualified opinion was due to two material weaknesses with questioned costs totaling \$637K such as:

- GWA did not perform or document suspension and debarment verification for two (2) vendors (out of 8 transactions), resulting in questioned costs of \$333K. EY recommended that GWA strengthen its procurement controls by implementing and enforcing the required procedures of SAM checking, maintaining evidence of verification, and providing periodic training to procurement personnel. GWA concurred with the finding and will continue reinforcing monitoring procedures. In its corrective action plan, the Internal Audit team will conduct random reviews of federally funded procurement files.

- Eight (8) electric vehicles acquired during FY ended September 30, 2025, were not included in the federally funded fixed asset register, resulting in questioned costs of \$303K. EY recommended that GWA strengthen its controls over equipment and real property management by implementing periodic reconciliations between procurement records and the asset register and provide training to responsible personnel. GWA concurred with the finding, which was due to an administrative oversight and staffing constraints, whereby the assets were recorded in GWA's main fixed asset register but were not coded as federally funded. In its corrective action plan, GWA outlined 4 measures which will address the control gap and ensure compliance on a prospective basis.

### **Management Letter**

In its Management Letter, EY commented on three internal control deficiencies and other matters related to: 1) untimely submission of required grant reports; 2) reconciliation of headcount per employee listings and GASB 101 schedule; and 3) timely determination of the service date of construction in progress (CIP) with their corresponding recommendations.

#### **1. Untimely Submission of Required Reports**

Four (4) utilization reports and three (3) quarterly progress report and quarterly reports were submitted within 7 to 114 days after due dates.

Management should strengthen monitoring and oversight of reporting deadlines by establishing a centralized reporting calendar, assigning clear responsibility for report preparation and submission, an implementing periodic review to ensure that all required reports are submitted on or before applicable deadlines.

#### **2. Reconciliation of headcount per Employee Listings and GASB 101 Schedule**

Eight employees included in the employee listing per Human Resources were excluded in the GASB 101 schedule for FY 2023, FY 2024 and FY 2025.

Management should perform timely reconciliation to ensure that correct information is considered in GASB 101 calculation, and any discrepancies noted should be corrected timely.

#### **3. Timely Determination of the Service Date of CIP (Prior Year Comment)**

Prior year CIP assets with service dates updated to have commenced in prior year, due to late determination of such service dates.

Management should timely determine the proper service dates of the CIP assets to avoid inconsistencies with current and prior year balances. It should also review the Certificates of Payments or related documents for the proper total contract value, service dates, estimated time to complete, and performance to date. GWA should only transfer CIP to fixed asset when it is completed or substantially completed.

For more details, refer to GWA's FY 2024 Financial Statements, Report on Compliance and Internal Control, and Auditor's Communication to those Charged with Governance. at [www.opaguam.org](http://www.opaguam.org) and [www.guamwaterworks.org](http://www.guamwaterworks.org).